



U.S. Senate Committee on Banking, Housing, and Urban Affairs

U.S. SENATOR RICHARD C. SHELBY, AL, RANKING MEMBER

EMBARGOED UNTIL BEGINNING OF HEARING

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OPENING STATEMENT OF SENATOR RICHARD C. SHELBY

The Semiannual Monetary Report to the Congress

February 28, 2008

“Thank you, Mr. Chairman.”

“Chairman Bernanke, we are very pleased to have you before the Committee this morning to deliver the Federal Reserve's Semi-Annual Monetary Policy Report. I will keep my remarks brief this morning as we are all eager to hear your views on the U.S. economy and other related issues. We also have the benefit of having read about your remarks before the House yesterday.”

“Chairman Bernanke, the Federal Reserve has taken a number of steps over the past six months to address the tightening of credit markets and the slowdown in economic growth. In a bid to improve interbank liquidity, the Federal Reserve established the Term Auction Facility in December of last year and has conducted six auctions to date. Since last August, the Federal Open Market Committee (FOMC) has also reduced the federal funds target a total of 225 basis points, taking the target from 5.25 percent to 3 percent. Since monetary policy works with a lag, the full impact of this boost to the economy is not yet clear.”

“Chairman Bernanke, I know that we will spend time this morning discussing the length and depth of the housing correction – as we should. I also want to make sure, however, that this Committee focuses on the risks associated with increasing inflation. The Labor Department reported this week that wholesale price inflation hit a 26-year high in January. The January rise in the consumer price index meant a twelve-month change in the overall CPI of 4.3 percent – twice the pace a year ago. In addition, gold and oil are at all-time highs.”

“These numbers certainly raise questions as to how much more room the Federal Reserve will have to provide further monetary accommodation without threatening long-term price stability. While it is difficult to see our nation's economy experience minimal growth, the consequences of failing to restrain inflation would be far more painful and far more difficult to unwind.”

“Chairman Bernanke, we are pleased to have you with us this morning and I look forward to your thoughts on these and other issues.”

“Thank Mr. Chairman.”